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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-849

IOWA SOUTHERN UTILITIES COMPANY
(Exact name of registrant as specified in its charter)

| Iowa | 42-0334900 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 300 Sheridan Avenue, Centerville, Iowa | 52544 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code (515) 437-5200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding at July 31, 1992 |
|---|---|
| Common Stock, $10.00 par value | 2,874,274 shares |

IOWA SOUTHERN UTILITIES COMPANY

INDEX


| | Page No. |
|---|---|
| Part I. Financial Information. | |
| Item 1. Financial Statements. | |
| Balance Sheets - June 30, 1992 and December 31, 1991 | 3 |
| Statements of Income - Three, Six and Twelve Months Ended June 30, 1992 and 1991 | 4 |
| Statements of Cash Flows - Three, Six and Twelve Months Ended June 30, 1992 and 1991 | 5 |
| Notes to Financial Statements | 6 - 11 |
| Item 2. Management's Discussion and Analysis of the Results of Operations and Financial Condition. | 12 - 19 |
| Part II. Other Information. | 20 - 22 |
| Signatures. | 23 |

Item 1. Financial Statements.

BALANCE SHEETS

| ASSETS | June 30, 1992 (Unaudited) | December 31, 1991 |
|---|---|---|
| | (in thousands) | |
| **UTILITY PLANT, at original cost** | | |
| Electric | $362,052 | $359,324 |
| Gas | 28,941 | 26,406 |
| Common | 26,238 | 24,974 |
| | 417,231 | 410,704 |
| Less accumulated provision for depreciation | 161,428 | 154,706 |
| | 255,803 | 255,998 |
| Construction work in progress | 17,506 | 6,386 |
| | 273,309 | 262,384 |
| **CURRENT ASSETS** | | |
| Cash and temporary cash investments | 1,730 | 3,998 |
| Accounts receivable | | |
| Service | 7,297 | 10,350 |
| Other | 4,683 | 6,592 |
| Unbilled revenues | 3,999 | 4,499 |
| Fuel, materials and supplies, at average cost | 12,299 | 11,733 |
| Prepayments and other | 2,844 | 3,230 |
| | 32,852 | 40,402 |
| **OTHER ASSETS** | | |
| Regulatory assets | 4,859 | 4,581 |
| Deferred charges and other | 4,140 | 3,111 |
| | $315,160 | $310,478 |

| CAPITALIZATION AND LIABILITIES | | |
|---|---|---|
| **COMMON SHAREHOLDER'S EQUITY** | | |
| Common stock, par value $10 per share; | | |
| Authorized 4,000,000 shares; | | |
| Outstanding, 2,874,274 shares | $ 28,743 | $ 28,743 |
| Premium on common stock | 15,123 | 15,123 |
| Retained earnings | 64,717 | 65,881 |
| | 108,583 | 109,747 |
| **REDEEMABLE PREFERRED STOCK** | | |
| Par value $30 per share; | | |
| Authorized 568,311 shares | | |
| Outstanding: | | |
| 8-1/2% series, 159,981 shares | 4,799 | 4,799 |
| 8-3/4% series, 224,997 shares | 6,750 | 6,750 |
| Current maturities of redeemable preferred stock | (675) | (675) |
| | 10,874 | 10,874 |
| **LONG-TERM DEBT** | 87,990 | 88,618 |
| **TOTAL CAPITALIZATION** | 207,447 | 209,239 |
| **CURRENT LIABILITIES** | | |
| Current maturities of long-term debt and preferred stock | 5,999 | 5,999 |
| Notes payable to associated companies | 2,925 | -- |
| Accounts payable | 7,960 | 12,443 |
| Interest accrued | 3,792 | 1,553 |
| Taxes accrued | 10,837 | 11,464 |
| Adjustment clauses | 1,509 | 458 |
| Other | 6,317 | 4,500 |
| | 39,339 | 36,417 |
| **OTHER LONG-TERM LIABILITIES** | | |
| Environmental liabilities | 1,040 | 740 |
| Other | 3,401 | 676 |
| | 4,441 | 1,416 |
| **DEFERRED CREDITS** | | |
| Accumulated deferred income taxes | 51,940 | 51,041 |
| Accumulated deferred investment tax credits | 11,993 | 12,365 |
| | 63,933 | 63,406 |
| | $315,160 | $310,478 |

The accompanying Notes to Financial Statements are an integral part of these statements.

## STATEMENTS OF INCOME (unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | | Twelve Months Ended June 30, | |
|---|---|---|---|---|---|---|
| | 1992 | 1991 | 1992 | 1991 | 1992 | 1991 |
| | | | (in thousands) | | | |
| **OPERATING REVENUES** | | | | | | |
| Electric | $ 27,597 | $ 35,776 | $ 61,768 | $ 67,532 | $128,829 | $131,481 |
| Gas | 4,812 | 3,923 | 16,128 | 16,275 | 29,015 | 28,017 |
| | 32,409 | 39,699 | 77,896 | 83,807 | 157,844 | 159,498 |
| **OPERATING EXPENSE** | | | | | | |
| Fuel for production | 6,322 | 8,779 | 15,611 | 16,898 | 30,474 | 32,465 |
| Purchased power | 2,441 | 5,915 | 8,473 | 10,386 | 18,366 | 17,769 |
| Gas purchased for resale | 3,393 | 2,174 | 12,577 | 11,941 | 22,204 | 21,014 |
| Other operating expenses | 5,284 | 4,652 | 10,885 | 9,263 | 22,087 | 17,799 |
| Maintenance | 2,074 | 2,055 | 4,867 | 4,084 | 8,650 | 7,164 |
| Depreciation | 3,463 | 3,327 | 6,871 | 6,638 | 13,663 | 13,052 |
| Income taxes | | | | | | |
| Current | 532 | 2,720 | 2,212 | 5,286 | 7,367 | 12,800 |
| Deferred income taxes, net | 294 | 753 | 576 | 1,053 | 922 | 300 |
| Amortization of investment tax credit | (186) | (192) | (372) | (384) | (755) | (794) |
| Property and other taxes | 2,613 | 2,558 | 5,275 | 5,102 | 11,073 | 9,930 |
| | 26,230 | 32,741 | 66,975 | 70,267 | 134,051 | 131,499 |
| **OPERATING INCOME** | 6,179 | 6,958 | 10,921 | 13,540 | 23,793 | 27,999 |
| **OTHER INCOME AND DEDUCTIONS** | | | | | | |
| Allowance for equity funds used during construction | 215 | 56 | 347 | 105 | 473 | 244 |
| Miscellaneous, net | 181 | 223 | 432 | 662 | 1,450 | 1,516 |
| | 396 | 279 | 779 | 767 | 1,923 | 1,760 |
| **INTEREST** | | | | | | |
| Long-term debt | 1,898 | 1,963 | 3,850 | 3,941 | 7,872 | 7,882 |
| Other | 73 | 12 | 394 | 156 | 559 | 328 |
| Allowance for debt funds used during construction | (107) | (29) | (172) | (54) | (236) | (122) |
| | 1,864 | 1,946 | 4,072 | 4,043 | 8,195 | 8,088 |
| **NET INCOME** | 4,711 | 5,291 | 7,628 | 10,264 | 17,521 | 21,671 |
| Preferred dividend requirements | 249 | 264 | 499 | 528 | 1,013 | 1,071 |
| **NET INCOME AVAILABLE FOR COMMON STOCK** | $ 4,462 | $ 5,027 | $ 7,129 | $ 9,736 | $ 16,508 | $ 20,600 |

The accompanying Notes to Financial Statements are an integral part of these statements.

## STATEMENTS OF CASH FLOWS (unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | | Twelve Months Ended June 30, | |
|---|---|---|---|---|---|---|
| | 1992 | 1991 | 1992 | 1991 | 1992 | 1991 |
| | | | (in thousands) | | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | | | |
| Net income before preferred dividend requirements: | $ 4,711 | $ 5,291 | $ 7,628 | $ 10,264 | $ 17,521 | $ 21,671 |
| **ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:** | | | | | | |
| Depreciation and amortization | 3,463 | 3,327 | 6,871 | 6,638 | 13,663 | 13,052 |
| Deferred income taxes and investment tax credits | 108 | 561 | 204 | 669 | 167 | (494) |
| Allowance for equity funds used during construction | (215) | (56) | (347) | (105) | (473) | (244) |
| Other | 11 | (163) | 307 | (166) | 132 | (247) |
| **OTHER CHANGES IN ASSETS AND LIABILITIES** | | | | | | |
| Accounts receivable | 4,081 | 2,748 | 4,962 | (354) | 1,677 | (1,942) |
| Unbilled revenues | (351) | 358 | 500 | 1,998 | (143) | 40 |
| Fuel, materials and supplies | (2,271) | (2,449) | (566) | (251) | 16 | 1,566 |
| Provision for rate refund | 487 | -- | 1,986 | (1,689) | 3,979 | -- |
| Accounts payable | (1,928) | (532) | (4,483) | 475 | (1,558) | 3,711 |
| Interest accrued | 1,367 | (849) | 2,239 | (80) | 2,142 | (1,089) |
| Taxes accrued | (217) | 383 | (627) | 929 | (3,176) | 6,735 |
| Adjustment clauses | (1,346) | (661) | 1,051 | 194 | 674 | 79 |
| Other, net | (398) | (4,900) | 2,287 | (1,896) | 3,426 | (3,989) |
| Net cash flows from operating activities | 7,502 | 3,058 | 22,012 | 16,626 | 38,047 | 38,849 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | | | |
| Construction expenditures | (10,357) | (3,659) | (18,112) | (7,802) | (28,140) | (16,862) |
| Allowance for equity funds used during construction | 215 | 56 | 347 | 105 | 473 | 244 |
| Net cash flows from investing activities | (10,142) | (3,603) | (17,765) | (7,697) | (27,667) | (16,618) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | | | |
| Issuance of notes payable | 2,925 | -- | 2,925 | -- | 2,925 | -- |
| Issuance of long-term debt | 2,400 | -- | 2,400 | -- | 23,400 | -- |
| Repayment of long-term debt | (2,600) | (200) | (3,048) | (424) | (23,048) | (424) |
| Preferred stock reacquired | -- | -- | -- | -- | (675) | (675) |
| Dividends paid-common | (3,000) | (4,714) | (8,293) | (10,031) | (18,037) | (18,655) |
| Dividends paid-preferred | (249) | (264) | (499) | (529) | (1,013) | (1,071) |
| Net cash flows from financing activities | (524) | (5,178) | (6,515) | (10,984) | (16,448) | (20,825) |
| **NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS** | (3,164) | (5,723) | (2,268) | (2,056) | (6,068) | 1,406 |
| **CASH AND TEMPORARY CASH INVESTMENTS** | | | | | | |
| at beginning of period | 4,894 | 13,791 | 3,998 | 9,854 | 7,798 | 6,392 |
| at end of period | $ 1,730 | $ 8,068 | $ 1,730 | $ 7,798 | $ 1,730 | $ 7,798 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | | | | | |
| Cash paid during the periods for: | | | | | | |
| Interest | 577 | 2,693 | 1,913 | 4,028 | 5,649 | 8,938 |
| Income taxes | 4,880 | 4,075 | 4,947 | 4,775 | 11,016 | 7,187 |
| | $ 5,457 | $ 6,768 | $ 6,860 | $ 8,803 | $ 16,665 | $ 16,125 |

The accompanying Notes to Financial Statements are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

June 30, 1992

(1) The interim Financial Statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of the Company, the Financial Statements include all normal and recurring adjustments necessary for the fair presentation of the results of operations and financial position.

It is suggested that these Financial Statements be read in conjunction with the Financial Statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 1991. The accounting and financial policies relative to the following items have been described in those notes and have been omitted herein because they have not changed materially through the date of this report:

Corporate organization

Summary of significant accounting policies

Commitments

Jointly-owned electric utility plant

Segments of business

Pension plans and benefits

Long-term debt (other than the items discussed in Note (4))

Income taxes

(2) Rate Matters:

(a) 1992 Gas Rate Case:

On July 2, 1992, the Company applied to the Iowa Utilities Board (IUB) for an increase in gas rates of $2.3 million annually, or 6.2%. The Company expects the IUB to rule on the request in the second quarter of 1993. The Company requested an interim increase of $2.1 million annually, or 5.8%. Interim rates, at the level approved by the IUB, become effective within 90 days of the filing.

(b) 1991 Electric Rate Decrease:

In September 1991, the Office of Consumer Advocate (OCA) filed a petition with the IUB requesting a reduction in the Company's electric retail rates of approximately $10.1 million, or 10%. In July 1992, the IUB approved a reduction of $4.5 million on an annual basis. The OCA has filed an application for rehearing. ISU believes that it is unlikely that the OCA will prevail in its motion. If the amount of the annual reduction does not change upon rehearing, the Company would be required to refund approximately $4.0 million as of June 30, 1992, plus interest. This amount plus accrued interest has been fully reserved by the Company as of June 30, 1992.

(3) **Preferred Stock:**

The Company has 568,311 shares of Redeemable Preferred Stock, $30 par value, authorized for issuance at June 30, 1992. The 8.50% and 8.75% Series had 159,981 and 224,997 shares, respectively, outstanding at June 30, 1992. These Series also have annual sinking fund requirements of $300,000 and $375,000, respectively, and are redeemable at the option of the Company upon 30 days notice at $31.91 and $31.54 per share, respectively, plus accrued dividends. In July 1992, the Company sent notices of its intention to redeem both Series in September 1992.

(4) **Debt:**

**(a) Long-Term Debt**

The Company has received FERC authority to issue $50 million of First Mortgage Bonds and intends to make the necessary filings with the SEC to register $50 million and to issue $30 million of First Mortgage Bonds during the third quarter of 1992. The proceeds of the $30 million issue will be used to retire outstanding preferred stock and certain long-term debt.

In the second quarter, $2.4 million of Series 1992 Pollution Control Bonds were issued on behalf of the Company. An additional $1.0 million were issued in July 1992. These bonds have variable interest

rates (2.4% at June 30, 1992). $2.4 million matures in 2010 and $1.0 million matures in 2000. The proceeds were used to retire $3.4 million of pollution control obligations with interest rates between 8.50% and 8.75%.

(b) Short-Term Debt

At June 30, 1992, the Company had bank lines of credit aggregating $10.0 million, none of which were being used. Commitment fees are paid to maintain these lines and there are no conditions which restrict the unused lines of credit. The Company also has a letter of credit supporting its variable rate pollution control obligations.

(5) Contingencies:

(a) Environmental Liabilities -

The Company has been named as a Potentially Responsible Party for certain former manufactured gas plant (FMGP) sites by either the Iowa Department of Natural Resources (IDNR) or the Environmental Protection Agency (EPA). The Company is working with the IDNR and EPA to investigate 6 sites and to determine the appropriate remediation activities which may be needed to mitigate health and environmental concerns. Such investigations are expected to be completed by 1999 and site-specific remediations are anticipated to be completed within 3 years after the completion of the investigations of each site. The Company may be required to monitor these sites for a number of years upon completion of remediation.

At June 30, 1992, the Company had recorded $1.0 million of environmental liabilities which, pursuant to generally accepted accounting principles, represents the minimum amount of the estimated range of such costs which the Company expects to incur. The Company is pursuing insurance and third party cost sharing for FMGP clean-up costs. The amount of shared costs, if any, can not be reasonably determined and, accordingly, has not been used to reduce the recorded liability. These estimates are subject to continuing review. Corresponding regulatory assets have been recorded to reflect the recovery which has been provided through rates. Consistent with past rate treatment, management believes that the clean-up costs incurred by the Company for these FMGP sites will not have a material adverse effect on the financial position or results of operations of the Company.

(b) Clean Air Act -

The Clean Air Amendments Act of 1990 (Act) requires some air emissions to be reduced below their 1985 national levels. The Act requires sulfur dioxide emissions to be reduced by 8.9 million tons and nitrous oxide by 2 million tons on a national level. The provisions of the Act will be implemented in two phases; Phase I by 1995 and Phase II by 2000.

The Company expects to meet the requirements of the Act by fuel switching and through capital expenditures primarily related to fuel burning equipment and boiler modifications. The Company estimates capital expenditures of $9 million, of which $1.3 million is expected to

be incurred during 1992. Additional Phase II capital expenditures may be required at one generating station.

Item 2. Management's Discussion and Analysis of the Results of Operations and Financial Condition

The following discussion analyzes significant changes in the results of operations and financial condition from the prior periods for the Company.

**Results of Operations**

The Company's operating income decreased $0.8 million, $2.6 million and $4.2 million during the three, six and twelve months ended June 30, 1992, respectively. The Company's net income available for common stock decreased $0.6 million, $2.6 million and $4.1 million during the three, six and twelve months ended June 30, 1992, respectively. Net income available for common stock was increased for all three periods because of adjustments to previously recorded tax reserves of $1.3 million recorded in the second quarter of 1992.

Electric Operations -

Electric revenues (in millions) and Kwh sales (excluding off-system) increased (decreased) during the three, six and twelve months ended June 30, 1992, from comparable prior periods as follows:

| | Revenues | Kwh Sales |
|---|---|---|
| Three Months | $(8.2) | 2.5% |
| Six Months | (5.8) | 3.2% |
| Twelve Months | (2.7) | 5.5% |

The Company's electric tariffs include energy adjustment clauses (EAC) which are designed to currently recover the costs of fuel and the energy portion of purchased power billings to customers.

The primary reasons for the electric revenue decreases for all three periods were the effects of annual electric rate reductions of $3.7 million and $4.5 million which became effective in August 1990 and September 1991, respectively, and lower revenues from off-system sales of $4.8 million, $2.6 million and $2.0 million for the three, six and twelve month periods, respectively. See Note 2(b) of the Notes to Financial Statements for a discussion of the Company's 1991 electric rate decrease. The increase in Kwh sales other than off-system for all three periods is primarily because of increased sales to one large industrial customer. Residential and commercial sales decreased for the three and six month periods because of unseasonably mild weather.

Combined fuel for production and purchased power decreased during all three periods primarily because of the lower off-system sales.

Gas Operations -

Gas revenues, gas purchased for resale and dekatherm (DTH) sales (including transport volumes) increased (decreased) from comparable prior periods as follows:

| | Three Months | Six Months | Twelve Months |
|---|---|---|---|
| | | ($ in millions) | |
| Gas revenues | $ 0.9 | $(0.1) | $ 1.0 |
| Gas purchased for resale | 1.2 | 0.6 | 1.2 |
| Sales | 19.4% | (2.3)% | 0.0% |

The changes in sales for all three periods are primarily attributable to variations in weather and increases in transported volumes.

The Company's gas tariffs include purchased gas adjustment clauses (PGA) designed to recover the cost of gas purchased for resale on a current basis.

See Note 2(a) of the Notes to Financial Statements for a discussion of a gas rate increase filed in July 1992.

The gas margin decreased $0.3 million, $0.7 million, and $0.2 million for the three, six and twelve month periods, respectively. Such decreases were affected by the changes in sales and refinements in the PGA calculation.

Operating Expenses -

Operating expenses increased in all three periods because of increased wage and benefit costs and, for the six and twelve month periods, increased former manufactured gas plant clean-up costs.

Maintenance expenses increased $0.8 million and $1.5 million for the six and twelve month periods, respectively, primarily because of increased power plant maintenance.

Income taxes decreased $2.6 million, $3.6 million and $4.8 million for the three, six and twelve month periods, respectively, primarily because of changes in taxable income and adjustments to previously recorded tax reserves of $1.3 million recorded in the second quarter of 1992.

Liquidity and Capital Resources

The Company's capital requirements are primarily attributable to its construction program, debt maturities and sinking fund requirements. During the three, six and twelve month periods, internally generated cash (before common dividends) were $7.8 million, $14.2 million and $30.0 million, respectively. Construction expenditures were $10.4 million, $18.1 million and $28.1 million for the three, six and twelve month periods, respectively.

The Company anticipates that future capital requirements will be met by both internally generated cash and external financing. The level of internally generated cash is partially dependent upon economic conditions,

legislative activities, environmental matters and timely rate relief. See Note (2) of the Notes to Financial Statements for a discussion of the Company's rate cases. Access to the long-term and short-term capital and credit markets is necessary for obtaining funds externally.

The Company's liquidity and capital resources will be affected by environmental issues, including the ultimate disposition of the FMGP clean-up costs and the Clean Air Act requirements as discussed in Note (5) of the Notes to Financial Statements. Consistent with existing rate making treatment, management believes that the costs incurred for these environmental matters will not have a material adverse effect on the financial position or results of operations of the Company.

During the second quarter of 1992, the FERC issued Order 636 which requires the Company's pipeline suppliers to unbundle their services so that pipeline sales, transportation and storage services are operated and billed as separate and distinct services. The Company's pipeline suppliers are scheduled to file restructured tariffs with the FERC during the fourth quarter of 1992. The Company plans to actively participate in these proceedings. While the final outcome of these proceedings cannot be predicted, the Company believes that the restructured services will not affect its ability to provide reliable service. The restructured services may result in higher purchased gas costs for firm customers and the Company believes that such costs would be recovered from customers under existing rate making treatment.

The IUB has adopted rules which require the Company to spend 2% of electric and 1.5% of gas gross retail operating revenues for energy efficiency programs. Energy efficiency costs in excess of the amount in the most recent electric and gas rate cases are being deferred by the Company. At June 30, 1992, $1.1 million of such costs had been deferred. Ultimate recovery of these costs is anticipated under existing rate making principles.

**Construction Program**

The Company's construction expenditures during 1992 are expected to approximate $34 million ($18.1 million expended through June).

The Company's levels of construction are projected to be $25 million in 1993, $22 million in 1994, $17 million in 1995 and $62 million in 1996. It is estimated that the Company's internally generated cash before common dividends will exceed construction expenditures for the five year period 1992 - 1996.

The construction program will be modified as necessary for changing economic conditions, legislative and regulatory proceedings, environmental matters and other relevant factors. Additional funds for construction, as well as other capital requirements, are expected to be obtained through external financing.

**Long-Term Financing**

Other than periodic sinking fund requirements which may be met by pledging additional property, $7 million of long-term debt will mature prior to December 31, 1996. The Company anticipates refinancing the above maturities. In the second quarter, $2.4 million of Series 1992 Pollution Control Bonds were issued on behalf of the Company. An additional $1.0 million was issued in July 1992. These bonds have variable interest rates (2.5% at June 30, 1992). $2.4 million matures in 2010 and $1.0 million matures in 2000. The proceeds were used to retire $3.4 million of pollution control obligations with interest rates between 8.50% and 8.75%.

The Indentures pursuant to which the Company issues First Mortgage Bonds contain covenants which restrict the amount of additional bonds which may be issued. At June 30, 1992, such restrictions would have allowed $89 million of additional First Mortgage Bonds to be issued. The Company has received FERC authority to issue $50 million of First Mortgage Bonds and intends to make the necessary filings with the SEC to register $50 million and to issue $30 million of First Mortgage Bonds during the third quarter of 1992. The proceeds of the $30 million issue will be used to retire outstanding preferred stock and certain long-term debt.

The Articles of Incorporation authorize and limit the aggregate amount of additional shares of Redeemable Preferred Stock which may be issued. At June 30, 1992, the Company could have issued an additional 183,000 shares of Redeemable Preferred Stock.

The Company's capitalization ratios at both June 30, 1992 and December 31, 1991 were as follows:

| | |
|---|---|
| Long-term debt | 43% |
| Preferred and preference stock | 5 |
| Common equity | 52 |
| | 100% |

**Short-Term Financing**

For interim financing, the Company is authorized by the FERC to issue up to $25 million of short-term notes. This availability of short-term financing provides flexibility in the issuance of long-term securities. The Company had outstanding short-term debt of $2.9 million payable to affiliates at June 30, 1992.

At June 30, 1992, the Company had bank lines of credit aggregating $10 million, of which none were being used. Commitment fees are paid to maintain these lines and there are no conditions which restrict the unused lines of credit. The Company also has a letter of credit supporting its variable rate pollution control obligations.

## PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to Notes (2) and (5) of the Notes to Consolidated Financial Statements for a discussion of rate proceedings and environmental matters, respectively.

Item 2. Changes in Securities.

None.

Item 3. Default Upon Senior Securities.

None.

Item 4. Results of Votes of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits -

3(b) Amendment to Bylaws of Registrant. (Filed as Exhibit 3(b) of the Company's Form 10-Q for the quarter ended March 31, 1992.

4(a) Reference is made to the Exhibit Index beginning on page 49 in the Company's 1991 Form 10-K for Exhibit Nos. 4(d) - 4(h).

4(i) $3,400,000 aggregate principal amount City of Chillicothe, Iowa Pollution Control Revenue Refunding Bonds, Series 1992A and 1992B Financing Agreement dated as of April 1, 1992, by and between the City of Chillicothe, Iowa and Iowa Southern Utilities Company.

4(j) $3,400,000 aggregate principal amount City of Chillicothe, Iowa Pollution Control Revenue Refunding Bonds, Series 1992A and 1992B Indenture of Trust dated as of April 1, 1992, by and between the City of Chillicothe, Iowa and the Norwest Bank Iowa, National Association, as Trustee.

4(k) $3,400,000 aggregate principal amount City of Chillicothe, Iowa Pollution Control Revenue Refunding Bonds, Series 1992A and 1992B Remarketing, Indexing and

Tender Agreement dated as of April 1, 1992 by and among Iowa Southern Utilities Company, the Trustee, and the Remarketing Agent and Indexing Agent.

4(l) $3,400,000 aggregate principal amount City of Chillicothe, Iowa Pollution Control Revenue Refunding Bonds, Series 1992A and 1992B Reimbursement Agreement dated as April 1, 1992, between Iowa Southern Utilities Company and Swiss Bank Corporation, New York Branch.

(b) Reports on Form 8-K -

The Company filed no reports on Form 8-K since the filing of its latest Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IOWA SOUTHERN UTILITIES COMPANY
(Registrant)

Date August 3, 1992

By Blake O. Fisher, Jr.
(Signature)
Blake O. Fisher, Jr.
Executive Vice President, Chief
Financial Officer and Director